

Date: April 16, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Amendment to Existing CDBG Agreement with McCormack Baron Salazar Development, Inc. to Increase the Contract Amount by \$300,000.00 for Additional Environmental Remediation on the Southside Multi-Family Rental Site

Executive Summary

On June 18 2012, the City Council approved a Community Development Block Grant Agreement (CDBG) with McCormack Baron Salazar Development, Inc. (MBS) in the amount of \$6,000,392.00 for site preparation and infrastructure improvements on the former Rolling Hills site. MBS, acting as agent for the City through a competitive bid process selected D.H. Griffin Infrastructure, Inc. to conduct the site preparation and infrastructure improvements on the site. The scope of work included the demolition and removal of the existing streets and infrastructure of the 19.83 acre site, the installation of erosion and sedimentation control measures, mass grading of the entire 19.83 acre site, environmental remediation of unsuitable soils in an approximate 2 acre area, along with the installation of new streets, curbs, sidewalks, street tress, street lights, water and sewer lines and storm drainage to serve the Phase 1 development.

Recommendation

The Department of Community Development recommends that City Council authorize the expenditure of up to \$300,000.00 in Community Development Block Grant funds for additional environmental remediation activities on the Southside East redevelopment site, and authorize the City Manager to amend the existing CDBG agreement with McCormack Baron Salazar Development, Inc. in the amount of \$300,000.00 for a total contract amount of \$6,300,392.00 for additional environmental remediation activities on the Southside East redevelopment site.

Background

As part of the redevelopment effort on the former Rolling Hills site, MBS acting as an agent for the City, entered into a contract with DH Griffin Infrastructure Inc, for site prep and infrastructure improvements for the approximately 19 acre site. The scope of work included the removal and disposal of unsuitable soils, asbestos containing materials and other contaminants in an approximate 2 acre area (ravine) on the northeast section of the site. The work in the ravine area would be conducted per the Soil Management Waste plan (SMWP)

approved by the North Carolina Department of Environment and Natural Resources on June 5, 2012.

Issues/Analysis

The initial SMWP classified all of the debris in the ravine area as asbestos contaminated, requiring excavation, removal and disposal to a specially licensed out of state landfill. As MBS, City and the team of consultants became aware that this task would exceed the budget established in the contract; contact was made with NCDENR to begin communication on alternatives to the disposal of the materials off-site. The ongoing discussions with NCDENR resulted in three addendums to the SWMP. Addendum #1 allowed for the material deep in the ravine area to be capped and covered per specifications established by the environmental consultants on the project and approved by NCDENR. Additional testing and a second SMWP addendum classified approximately 11,000 cubic yards of material that was excavated as non-asbestos containing and was stockpiled and covered on the site. Lastly, Addendum #3 (cap and cover plan) was approved by NCDENR which allows for the re-use of the material on site under future parking areas in the southeast corner of the site. This will add approximately \$150,000.00 of additional costs to the project versus excavation and disposal of the soil off site at an approximate cost of \$750,000.00. The approval of the cap and cover plan by NCDENR was a first for the state and required cooperation among multiple organizations to include the City, MBS, Slosky Environmental and NCDENR to include the Division of Waste Management and the North Carolina Department of Health and Human Services Health Hazards Control Unit. The cooperation shows that redevelopment of a difficult site, such as Rolling Hills, can be accomplished with making common sense and technically sound decisions for the environment and future residents that allow for the safe redevelopment of these environmentally impacted sites.

In addition to the costs for the cap and cover plan, the civil engineers and environmental consultants have incurred additional costs for the preparation of revised plans, testing and taking the lead on navigating the cap and cover request through the approval process. Along with additional miscellaneous items, total costs of the contract amendment are \$300,000.00.

Alternatives

The City Council could elect to not approve the site preparation and infrastructure contract amendment with MBS. Without approval of the amendment, additional delays would be created and the potential for the overall project being completed by the placed in service date of December 31, 2013 is unlikely.

Financial Impact

The financial impact associated with the site preparation and infrastructure contract amendment is \$300,000.00. The Department has identified CDBG line items from various Annual Action Plans which will comprise the \$300,000.00 in additional budget needed to increase this contract. Changes to these line items will be reflected in an upcoming Substantial Amendment to the Annual Action Plans as follows:

FY 10-11

This Annual Action Plan (AAP) included funding for the Durham Housing Authority's Community Learning Center of which \$48,000.00 was not expended, therefore, this funding is available to reallocate to the Rolling Hills/Southside Infrastructure activity in the same AAP.

FY 11-12

This AAP included \$68,000.00 in funds for the Durham County Department of Social Services for the new homelessness services program that was not actually funded until the subsequent FY12-13, therefore, these funds are available to reallocate to the Rolling Hills/Southside Infrastructure activity in the same AAP.

Additionally, the 11-12 AAP included \$251,170.00 in funds to assist with the completion of previously assisted projects in NECD and SWCD. Self-Help was awarded \$95,000 of the \$251,170.00 to assist with the completion and sale of four homeownership units on Gerard Street. This award included \$55,000.00 for additional reimbursement for acquisition costs and \$40,000.00 to provide forgivable loans to the buyers. The four homes were sold without the available forgivable loans and therefore, these funds are available to reallocate to the Rolling Hills/Southside Infrastructure activity.

FY 12-13

This AAP included \$705,000.00 in funding for Southside site prep/infrastructure and Section 108 loan interest payment. In the Five-Year funding plan, this \$705,000.00 was allocated as follows:

<u>Activity</u>	<u>Amount</u>
Southside West Site Prep & Infrastructure - CDBG	\$ 500,000.00
Southside East Phase II Rental Infrastructure - (CDBG & PI)	100,000.00
Southside E Section 108 Debt Service (Int. only first 2 yrs) - CDBG	68,250.00
Southside W Section 108 Debt Service (Int. only first 2 yrs) - CDBG	<u>36,750.00</u>
Total	\$ 705,000.00

According to the City's Treasury Manager, approximately \$7,500.00 in actual interest costs will be incurred for Southside E Section 108 loan during FY 2012-2013. Therefore, the remaining funds needed for the contract amendment, \$144,000.00, will come from available budgets for Southside East Phase II Rental Infrastructure (\$100,000.00) and Southside E Section 108 Debt Service (\$44,000.00).

Below is a summary of the funding sources included in the contract amendment.

SOURCE	BUDGET CODE	AMOUNT
FY 2010-11 CDBG	1110D011-728600-QEP1F	48,000.00
FY 2011-12 CDBG	1132D012-728600-QEP1F	108,000.00
FY 2012-13 CDBG	1113D013-728600-QEP1F	144,000.00
Total Funding Amount		\$300,000.00

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the original bid submitted by D. H. Griffin Infrastructure, LLC of Greensboro, North Carolina to determine compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. It was determined that D. H. Griffin Infrastructure, LLC was in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.